

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

12-0248R

RESOLUTION AUTHORIZING A SEVENTH AMENDMENT TO THE MINNESOTA INVESTMENT FUND (MIF) AGREEMENT WITH THE STATE OF MINNESOTA AND FURTHER AUTHORIZING A SEVENTH AMENDMENT TO THE MIF LOAN AGREEMENT AND A SEVENTH PROMISSORY NOTE MODIFICATION AGREEMENT WITH NORTHSTAR MACHINE & TOOL, INC.; D.B.A. NORTHSTAR AEROSPACE, MODIFYING PAYMENTS FROM MAY 1, 2012 THROUGH JUNE 30, 2013

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into a seventh amendment to the MIF loan agreement and a seventh promissory note modification agreement substantially in the form of those on file in the office of the city clerk as Public Document No. _____ with Northstar Machine and Tool, Inc., d.b.a Northstar Aerospace ("Northstar"), allowing Northstar to make payments of interest plus an amount equal to one-fourth of the principal payment provided for under the note for a fourteen-month period, from May 1, 2012, through June 30, 2013.

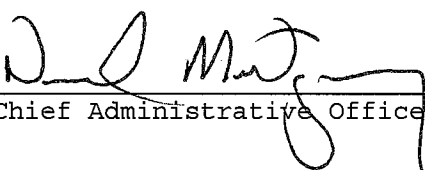
FURTHER RESOLVED, that the proper city officials are hereby authorized to execute a seventh amendment to the grant agreement with the state of Minnesota, such amendment to reflect the seventh amendment to the MIF loan agreement and

seventh promissory modification agreement with Northstar.

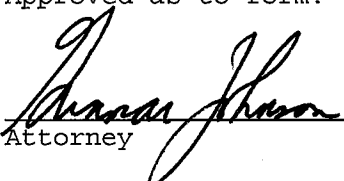
Approved:


Department Director

Approved for presentation to council:


Chief Administrative Officer

Approved as to form:


Attorney

Approved:


Auditor

BD/ATTY HTB/JC:bel 05/04/2012

STATEMENT OF PURPOSE: In 2006, the City applied to the Minnesota Department of Employment and Economic Development (DEED) for a MIF grant in order to provide Northstar funds to purchase new facility expansion equipment. The City received a grant in the amount of \$500,000 from DEED and made a MIF loan of the same amount to Northstar. The subsidy is in the form of one percent interest. In exchange, Northstar agreed to create 50 new full-time equivalents by February 23, 2009.

In January 2009, the City and Northstar entered into an amendment to the MIF loan agreement and a promissory note modification agreement pursuant to which the time within which the jobs were to be created was increased by one year, until February 23, 2010. Additionally, Northstar was allowed to make interest only payments from January 1, 2009, through June 30, 2009. In June 2009, the City and DEED approved a second six-month extension of interest-only payments with a second amendment to the MIF loan agreement and a second promissory note modification agreement. In December 2009, the City and DEED approved a third six-month extension of interest-only payments with a third amendment to the MIF loan agreement and a third promissory note modification agreement. In October 2010, the City and DEED approved an additional nine-month extension of interest only payments with a fourth amendment to the MIF loan agreement and a fourth promissory note modification agreement.

In March 2011, the City and DEED approved an additional six-month extension of interest but modified terms to also require the payment of half the principal with a fifth amendment to the MIF loan agreement and a fifth promissory note modification agreement. This resulted in monthly payments of approximately \$1,667.00 during the period of April 1 through September 30.

Full principal/interest payments were made by Northstar in October and November 2011. In November 2011, the City and DEED approved an additional five-month extension of one-half principal plus interest for the period of December 1, 2011 through April 30, 2012.

Staff from the City and the other two lenders involved in this 2006 financing project (1200 Fund and Republic Bank) have met over the past six weeks to consider the written request of Northstar for an additional, seventh extension (see attached). Upon the recommendation of the bank to *further* reduce the amount of monthly loan payment to all three lenders through June of next year, this resolution allows for monthly payment of one-fourth principal plus interest for a fourteen month period. DEED has agreed to this concession for the period retroactive to May 1, 2012 through June 30, 2013 conditioned upon City Council approval.

Northstar's promissory note with the City requires full repayment of the loan.



Manufacture of Precision Machined Components, Aircraft Seats, Parts and Assemblies for the Aerospace Industry

March 26, 2012

Mayor Don Ness
City of Duluth
411 West 1st Street, Room 403
Duluth, MN 55802

RE: Amend MIF Loan Agreement

Dear Mayor Ness:

Northstar Machine and Tool Company, Inc. d/b/a Northstar Aerospace (4212 Enterprise Circle, Duluth, MN 55811) formally requests an extension of our Minnesota Investment Fund interest only repayment period beginning May 1, 2012 through October 31, 2012.

While our long term projections look promising, our immediate challenge remains having enough cash on hand to fund our re-growth. Paying for increased amounts of raw materials and the added labor to support new job orders continues to be an everyday financial challenge.

We request the extension of the current Promissory Note Modification of *interest payments as provided for in the Note and one-half of the amount of payments against principal as provided for in the Note from May 1, 201s through October 31, 2012*, will help us fund job growth and pay for added raw materials to meet our customers' increasing demands.

On behalf of everyone at Northstar Aerospace, I thank you for your continued support. If you have any questions or concerns, please don't hesitate to contact me or Kevin Snyder.

Sincerely,



Gary Corradi, President/CEO

cc: Brian W. Hanson
Business and Community Development Director

Heidi Timm-Bijold
Manager, Business Resources

AGREEMENT FOR LOAN OF MINNESOTA INVESTMENT FUND

NORTHSTAR MACHINE & TOOL CO., INC.

SEVENTH AMENDMENT

THIS SEVENTH AMENDMENT is made by and between the City of Duluth, (the "City") and Northstar Machine & Tool Co., Inc. D.B.A. Northstar Aerospace (the "Developer").

RECITALS:

A. On February 8, 2007, the City and Developer entered into a Minnesota Investment Fund loan agreement which was amended by first amendment dated January 30, 2009, by second amendment dated August 24, 2009, by third amendment dated January 28, 2010, by fourth amendment dated October 15, 2010, by fifth amendment dated April 19, 2011, and by sixth amendment dated December 2, 2011 (the loan agreement and the amendments hereinafter referred to as the "MIF Loan Agreement"); and

B. The parties desire to further amend the MIF Loan Agreement as set forth herein.

NOW THEREFORE, it is agreed by and between the parties hereto as follows:

1. That Section 3.5, Promissory Note, of ARTICLE 3, is hereby amended as follows:

Section 3.5. Promissory Note. The Developer shall execute a seventh promissory note modification agreement in substantially the form set forth at Exhibit C-7.

2. That Section 5.5 of ARTICLE 5 is hereby amended as follows:

Section 5.5. Loan Repayments Schedule. The cost of all Equipment purchased and furnished to Developer under Section 5.1. above shall constitute a loan to

Developer. Prior to the Initial Disbursement, Developer executed a note in the amount of Five Hundred Thousand and No/100 Dollars (\$500,000) bearing interest at the simple rate of one percent (1%) per year. Pursuant to the terms of said note and subsequent modifications thereto, including the note modification agreement attached hereto as Exhibit C-7, payments of principal and interest shall commence on the first day of the first month immediately following the Initial Disbursement Date, and shall continue on the first day of each and every month thereafter until paid in full, except that Developer is allowed to make interest only payments under the Note from January 1, 2009 through March 31, 2011; one-half of the principal payments plus interest as provided for in the Note from April 1, 2011 through September 30, 2011, and from December 1, 2011 through April 30, 2012; and one-quarter of the interest payments from May 1, 2012 through June 30, 2013. Thereafter the monthly payment amounts shall fully amortize the Loan over fifteen (15) years; provided, however, the entire remaining unpaid balance of principal and interest shall be due and payable in full on the first day of the eighty-fourth (84th) month following the Initial Disbursement Date.

3. Except as provided in this Seventh Amendment, all terms and provisions of the MIF Loan Agreement shall remain in force and effect.

IN WITNESS WHEREOF, the parties have caused this Seventh Amendment to be duly executed as of the date below written.

CITY OF DULUTH

NORTHSTAR MACHINE & TOOL CO., INC.

Mayor

By _____
Its _____

Date: _____

Date: _____

ATTEST:

City Clerk

Date: _____

APPROVED AS TO FORM:

City Attorney

COUNTERSIGNED:

City Auditor

EXHIBIT C-7

SEVENTH PROMISSORY NOTE MODIFICATION AGREEMENT

This Seventh Promissory Note Modification Agreement is made by and between Northstar Machine & Tool Co., Inc. D.B.A. Northstar Aerospace, a Minnesota corporation, (the "Maker") and the City of Duluth (the "City")

The Maker acknowledges that it received from the City of Duluth (the "City"), the principal sum of Five Hundred Thousand and No/100 Dollars (\$500,000) pursuant to the terms of a note dated February 8, 2007. The note was payable in installments due as follows:

The Loan shall bear interest at a rate of one percent (1%) per annum and interest shall commence to accrue as of the Initial Disbursement Date as defined in the Loan Agreement of even date herewith. Payments of principal and interest shall commence on the first day of the first month immediately following the Initial Disbursement Date, and continue on the first day of each and every month thereafter until paid in full. Such payments shall fully amortize the Loan over fifteen (15) years; provided, however, the entire remaining unpaid balance of principal and interest shall be due and payable in full on the first day of the eighty-fourth (84th) month following the Initial Disbursement Date.

On January 30, 2009, August 24, 2009, January 28, 2010, and October 15, 2010, Maker and the City modified the note to allow Maker to make interest only payments from January 1, 2009 through March 31, 2011. On April 19, 2011, and December 2, 2011, Maker and the City modified the note to allow Maker to make one-half of the principal payments plus interest payments as provided for in the note from April 1, 2011 through September 31, 2011, and from December 1, 2011 through April 30, 2012 (the note and the modifications to the note hereinafter referred to as the "Note").

Maker and the City desire that the Note be further modified as herein provided, but that all terms not so modified remain unchanged and in full force and effect.

Now, therefore, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Payment Schedule: The payment schedule provided in said Note is hereby modified to allow the Maker to make interest only payments from January 1, 2009 through March 31, 2011; one-half of the principal payments plus interest payments as provided for in the Note from April 1, 2011 through September 30, 2011 and from December 1, 2011 through April 30, 2012; and one-quarter of the interest payments from May 1, 2012 through June 30, 2013.

Except as provided above, the said Note and all provisions thereof shall remain unaffected and unchanged by this Seventh Promissory Note Modification Agreement and all terms, conditions and provisions of said Note not modified are hereby ratified and confirmed in all respects and Maker promises to pay the aforesaid sum with interest and in the manner stated above.

IN WITNESS WHEREOF, the parties have caused this Seventh Promissory Note Modification Agreement to be duly executed as of the date below written.

CITY OF DULUTH

NORTHSTAR MACHINE & TOOL CO.,
INC.

Mayor

By _____
Its _____

Date: _____

Date: _____

ATTEST:

City Clerk

Date: _____

APPROVED AS TO FORM:

City Attorney

COUNTERSIGNED:

City Auditor